

Don H. Berg, Manager

**Idaho Legislative Services Office
Legislative Audits Division**

IDAHO PUBLIC TELEVISION

SUMMARY

PURPOSE OF AUDIT REPORT

We have audited the financial statements of Idaho Public Television (IdahoPTV) for fiscal year 2009, in accordance with auditing standards generally accepted in the United States of America. The purpose of our audit is to determine whether IdahoPTV's financial statements are materially accurate and reliable, and that it materially complied with laws and regulations affecting fiscal operations.

CONCLUSION

We conclude that IdahoPTV's financial statements are materially accurate and reliable, and fiscal operations materially comply with related laws and regulations. As a result, we issued an unqualified opinion on IdahoPTV's financial statements.

FINDING AND RECOMMENDATION

There is one finding and recommendation in this report.

1. Internal control weaknesses exist in the process for preparing the financial note disclosures.

The complete finding is detailed on page 31. A copy of this report is available at <http://www.legislature.idaho.gov/audit> or by calling 208-334-4832.

PRIOR FINDING AND RECOMMENDATION

There was one finding and recommendation in the prior report.

1. Internal control weaknesses exist in the process for preparing the financial statements and note disclosures.

We recommended that IdahoPTV review the internal controls over the financial statements and notes, and strengthen the processes as appropriate. This review should include the processes for ensuring the accuracy and completeness of the financial statements and note disclosures.

IdahoPTV has hired a new chief financial officer and a financial specialist senior. This allows the staff to prepare the financial statements and note disclosures, and the chief financial officer reviews them for accuracy and completeness.

AGENCY RESPONSE

Management staff at IdahoPTV has reviewed the report and is in general agreement with its contents.

This report is intended solely for the information and use of the State of Idaho, Idaho Public Television, and the State Board of Education and is not intended to be used by anyone other than these specified parties.

We appreciate the cooperation and assistance given to us by the general manager, Peter Morrill, and his staff.

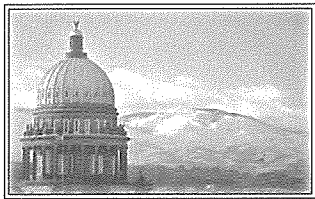
ASSIGNED STAFF

Eugene Sparks, CPA, Managing Auditor
Kathleen Watkins, CPA, In-charge Auditor
Brinton Croff, CICA, Staff Auditor

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Legislative Services Office Idaho State Legislature

Serving Idaho's Citizen Legislature

Jeff Youtz
Director

November 18, 2009

Unqualified Opinion on
Basic Financial Statements

Independent Auditor's Report

Peter Morrill, General Manager
Idaho Public Television
1455 North Orchard Street
Boise, ID 83720-0037

Paul Agidius, President
Idaho State Board of Education
650 West State Street, Room 307
Boise, ID 83720

Dear Mr. Morrill and Mr. Agidius:

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, and each major fund for Idaho Public Television (IdahoPTV) as of and for the year ended June 30, 2009, which collectively comprise IdahoPTV's basic financial statements as listed in the table of contents. These financial statements are the responsibility of IdahoPTV's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, and each major fund of IdahoPTV as of June 30, 2009, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2009, on our consideration of IdahoPTV's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of

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an audit performed in accordance with *Government Auditing Standards* and should be considered when assessing the results of our audit.

The Management Discussion and Analysis on pages 3 through 7 and Budgetary Comparison Schedule and corresponding note on pages 22 and 23, are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion thereon.

Our audit was conducted for the purpose of forming opinions on the financial statements as required by the Corporation for Public Broadcasting. The supplementary information is presented for the purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Sincerely,

A handwritten signature in black ink, appearing to read 'Don H. Berg', with a stylized flourish extending from the end of the signature.

Don H. Berg, CGFM, Manager
Legislative Audits Division

MANAGEMENT DISCUSSION AND ANALYSIS

The discussion and analysis of Idaho Public Television's (IdahoPTV) basic financial statements provides an overall review of financial activities for the fiscal year ending June 30, 2009. The analysis provides comparative information for the current fiscal year and the prior fiscal year. The financial statements are presented in accordance with Generally Accepted Accounting Principles (GAAP).

FINANCIAL HIGHLIGHTS

- In fiscal year 2009, IdahoPTV was partially funded by a General Fund appropriation of \$3,247,600, that included \$1,530,700 in one-time capital. The final appropriation included the unspent balance of one-time funds from the Economic Recovery Fund in the amount of \$752,422 to use for the completion of the KISU production control room, and \$761,224 encumbered from the fiscal year 2008 General Fund for FCC mandated conversion to digital television. IdahoPTV's total State-funded appropriation, including one-time encumbrances, is \$4,761,246.
- In fiscal year 2009, IdahoPTV received a Community Service Grant from the Corporation for Public Broadcasting in the amount of \$957,737, along with \$19,669 to help defray some of the interconnection costs.
- The Friends of Idaho Public Television, Inc. made payments of \$4,905,094 to the IdahoPTV Miscellaneous Revenue Fund during fiscal year 2009, an increase of \$219,106 from fiscal year 2008.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to IdahoPTV's basic comparative financial statements. IdahoPTV's basic financial statements comprise three parts: (1) government-wide financial statements; (2) fund financial statements; and (3) notes to the financial statements. This report also contains supplementary information in addition to the basic financial statements.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of IdahoPTV's finances in a manner similar to private sector businesses. These statements include a Statement of Net Assets and a Statement of Activities for IdahoPTV in total. *GASB 34* does not require comparative financial statements; however, IdahoPTV has put them in that format to enhance the quality of information for the users and to fulfill a requirement of the Corporation for Public Broadcasting.

The Statement of Net Assets presents information on assets and liabilities, with the difference reported as net assets. Analyzing increases or decreases in net assets is one way to measure IdahoPTV's overall financial position and may serve as an indicator of whether the financial position of IdahoPTV is improving or deteriorating.

The Statement of Activities shows how IdahoPTV's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses reported in these statements are on an accrual basis, which will result in cash flows for some of those items in future periods.

Fund Financial Statements. A fund is a group of related accounts used to maintain control over resources segregated for specific activities or objectives. IdahoPTV uses fund accounting to ensure and demonstrate compliance with financial-related legal requirements. IdahoPTV uses one fund type – governmental funds.

Governmental funds are used to account for essentially the same functions as reported in the governmental activities in the government-wide financial statements. However, the governmental fund statements present the different operations of IdahoPTV and provide a short-term view of financial resources that can be used in the near future. Governmental fund information does not report long-term commitments that are reported on the government-wide statements. Reconciliations between the governmental funds and the government-wide statements are included.

IdahoPTV maintains three individual governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances.

Notes to the Financial Statements. The notes to the financial statements provide additional information that is helpful when analyzing data provided in the government-wide and fund financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents budget comparisons for the General Fund, Miscellaneous Revenue Fund, and Federal Fund to demonstrate compliance with the fiscal year 2009 budget.

The budget is a cash basis budget; the fund financial statements are modified accrual. Reconciliation between the two is completed, and the differences consist mainly of accrued payroll and accounts payable.

Due to statewide funding holdbacks, the original fiscal year 2009 budget was reduced both in General Fund and Miscellaneous Revenue Fund. General Funds were reduced in ongoing and one-time funding by a total of \$282,700 and Miscellaneous Revenue Funds by \$9,600.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve, over time, as a useful indicator to determine whether a government's financial position is improving or deteriorating. At June 30, 2009, IdahoPTV's assets exceeded liabilities by \$14,289,045, and 14.4% of net assets were unrestricted. Unrestricted assets may be used to meet IdahoPTV's ongoing obligations. The remaining assets are investments in capital assets (e.g., land, building, and equipment) and the Friends of Idaho Public Television Inc.'s permanent trust.

IDAHO PUBLIC TELEVISION – NET ASSETS

	2008	2009	Percentage Change
Current and Other Assets	\$7,189,335	\$5,717,323	
Capital Assets	<u>8,261,983</u>	<u>9,356,732</u>	
Total Assets	<u>\$15,451,318</u>	<u>\$15,074,055</u>	-2.4%
Current Liabilities	\$623,360	\$781,994	
Non-Current Liabilities	<u>136,251</u>	<u>3,016</u>	
Total Liabilities	<u>\$759,611</u>	<u>\$785,010</u>	+3.3%
Net Assets:			
Invested in Capital Assets	\$8,261,983	\$9,356,732	
Restricted	2,849,847	2,873,129	
Unrestricted	<u>3,579,877</u>	<u>2,059,184</u>	
Total Net Assets	<u>\$14,691,707</u>	<u>\$14,289,045</u>	-2.7%

Total net assets include \$5,215,005 in the Friends of Idaho Public Television, Inc. Net assets decreased 2.7% to \$14,289,045. This is due primarily to the loss of investments during the general downturn in the economy.

IDAHO PUBLIC TELEVISION – STATEMENT OF ACTIVITIES

	2008	2009	Percentage Change
REVENUES:			
Program Revenues:			
Charges for Services	\$175,625	\$110,815	
Capital Grants	200,031	476,875	
Operating Grants	<u>54,933</u>	<u>37,444</u>	
Total Program Revenues	<u>\$430,589</u>	<u>\$625,134</u>	+45.2%
General Revenues:			
Appropriations from General Fund	\$3,202,898	\$3,514,664	
Contributions	2,223,453	2,078,975	
Underwriting	892,242	845,834	
Corporate Match	87,475	50,016	
Income on Investments	230,196	180,668	
Restricted Investment Endowment	138,968	23,282	
Net Unrealized and Realized Gains/Losses on Investments	(330,437)	(820,779)	
CPB Community Service Grant	935,183	957,737	
Unrestricted Grants and Contributions	292,914	220,024	
Gain/Loss on Sale of Equipment	<u>(28,083)</u>	<u>1,708</u>	
Total General Revenues	<u>\$7,644,809</u>	<u>\$7,052,129</u>	-7.8%
Total Revenues	<u>\$8,075,398</u>	<u>\$7,677,263</u>	
EXPENSES:			
Programming/Production	\$2,696,459	\$2,674,843	
Broadcasting	2,205,361	2,282,531	
Program Information	485,761	605,942	
Fund Raising/Development	1,081,545	1,159,254	
Management/General	<u>1,428,570</u>	<u>1,357,352</u>	
Total Expenses	<u>\$7,897,696</u>	<u>\$8,079,922</u>	+2.3%
Increase/(Decrease) in Net Assets	\$177,702	(\$402,659)	
Net Assets Beginning	<u>14,514,003</u>	<u>14,691,705</u>	
Net Assets Ending	<u>\$14,691,705</u>	<u>\$14,289,046</u>	-2.7%

IdahoPTV is funded from General Fund revenues, the Corporation for Public Broadcasting Community Service Grant, contributions, and miscellaneous revenue. Miscellaneous revenue is derived from intergovernmental services, services provided to the public, and operational grants. The amount of support received from private contributions and State General Funds depends heavily on the overall state of the economy.

IdahoPTV's capital assets include equipment necessary for transmission to five IdahoPTV digital transmitters statewide: KAID-DT Channel 4, Boise; KUID-DT Channel 12, Moscow; KCDT-DT Channel 26, Coeur d'Alene; KISU-DT Channel 10, Pocatello; and KIPT-DT Channel 13, Twin Falls. For signals to reach the transmitters, IdahoPTV utilizes a central master control in its Boise location and transmission equipment located on the Idaho Department of Administration's Statewide Digital Microwave backbone. IdahoPTV met the FCC deadline of May 1, 2003, to convert all of its transmitters to allow digital service in Idaho, reserving all five digital broadcast licenses.

Other capital assets include three studios with production facilities for editing and broadcasting located in Boise, Moscow, and Pocatello. Assets include equipment for broadcast repair and maintenance, a computer network, office furniture, and 13 vehicles. Depreciation expense for fiscal year 2009 was \$1,118,795. Capital assets on June 30, 2009, totaled \$9,356,732.

FINANCIAL ANALYSIS OF IDAHO PUBLIC TELEVISION'S FUNDS

IdahoPTV accounts for operating activities in three major funds – General Fund, Federal Fund, and Miscellaneous Revenue Fund.

The General Fund is a primary operating fund for IdahoPTV. It is used to account for the State General Fund appropriation. The fund is used to pay for personnel costs, administrative costs, and to purchase capital assets. The fiscal year 2009 General Fund ending appropriation was \$4,761,246. The Idaho legislature allowed the unused Economic Recovery Funds from fiscal year 2007 to be carried forward into fiscal year 2009 for use in the upgrade of the KISU studios in Pocatello. Fiscal year 2008 General Fund capital outlay funds were also encumbered for the federally-mandated digital conversion.

The Miscellaneous Revenue Fund is also a primary operating fund for IdahoPTV. This fund receives an annual legislative appropriation of about \$900,000 (\$998,800 in fiscal year 2009) and non-cognizable spending authority to cover additional transfers from the Friends of Idaho Public Television, Inc. of about \$4 million each year (\$3,906,294 in fiscal year 2009). Idaho Code, Section 67-3516(2) allows the Division of Financial Management, with Board of Examiners approval, to increase the spending authority when funds other than State funds become available (i.e., funds that were not known about or the amounts that could not be determined at the time appropriations were made). Money receipted into the Miscellaneous Fund is used to pay personnel costs, programming costs, and general operating costs. The Miscellaneous Revenue Fund balance decreased \$188,252 during fiscal year 2009 because of "Due To/From" other funds.

The Federal Fund is used to receive federal grant money and to pay for capital equipment projects. The federal funds are from the U.S. Department of Commerce and the U.S. Department of Agriculture's Rural Utility Service.

STATE OF IDAHO
IDAHO PUBLIC TELEVISION
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2009

	Total Primary Governmental Activities	Component Unit Friends of IdahoPTV	Total
ASSETS			
Current:			
Cash and Cash Equivalents	\$79,003	\$2,138,304	\$2,217,307
Investments	0	258,343	258,343
Due from State	73,307	0	73,307
Accounts and Interest Receivable	8,655	5,883	14,538
Contributions Receivable	0	253,696	253,696
Inventories and Prepaid Expense	27,003	0	27,003
Restricted Assets:			
Cash and Cash Equivalents	0	59,774	59,774
Investments	0	2,802,295	2,802,295
Contributions Receivable - Restricted	0	11,060	11,060
Capital Assets (net of accumulated depreciation):			
Buildings	518,948	0	518,948
Equipment	8,837,784	0	8,837,784
Total Assets	<u>\$9,544,700</u>	<u>\$5,529,355</u>	<u>\$15,074,055</u>
LIABILITIES			
Payroll and Benefits Payable	\$160,341	\$0	\$160,341
Accounts Payable	54,611	0	54,611
Deferred Revenue	0	314,350	314,350
Current Portion of Compensated Absences	252,692	0	252,692
Non-Current:			
Non-Current Portion of Compensated Absences	3,016	0	3,016
Total Liabilities	<u>\$470,660</u>	<u>\$314,350</u>	<u>\$785,010</u>
NET ASSETS			
Investment in Capital Assets (net of related debt)	\$9,356,732	\$0	\$9,356,732
Restricted Permanent Trust - Non-Expendible	0	2,873,129	2,873,129
Unrestricted	(282,692)	2,341,876	2,059,184
Total Net Assets	<u>\$9,074,040</u>	<u>\$5,215,005</u>	<u>\$14,289,045</u>

The accompanying notes are an integral part of these financial statements.

STATE OF IDAHO
IDAHO PUBLIC TELEVISION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Friends of IdahoPTV	
Primary Government:							
Governmental Activities							
Programming/Production	\$2,667,483	\$2,700	\$17,677	\$0	(\$2,647,106)		(\$2,647,106)
Broadcasting	2,280,021	28,250	7,900	476,875	(1,766,996)		(1,766,996)
Program Information	605,214	0	0	0	(605,214)		(605,214)
Fund Raising/Development	1,113,445	77,038	11,065	0	(1,025,342)		(1,025,342)
Management/General	1,308,687	2,827	802	0	(1,305,058)		(1,305,058)
Total Primary Government	\$7,974,850	\$110,815	\$37,444	\$476,875	(\$7,349,716)		(\$7,349,716)
Component Unit:							
Programming/Production	7,360	0	0	0		(\$7,360)	(7,360)
Broadcasting	2,510	0	0	0		(2,510)	(2,510)
Program Information	728	0	0	0		(728)	(728)
Fund Raising/Development	45,809	0	0	0		(45,809)	(45,809)
Management/General	48,665	0	0	0		(48,665)	(48,665)
Total Component Unit	\$105,072	\$0	\$0	\$0		(\$105,072)	(\$105,072)
General Revenues:							
State Appropriation					3,514,664	0	3,514,664
Contributions					0	2,078,975	2,078,975
Corporate Match					0	50,016	50,016
Underwriting					0	845,834	845,834
CSG Grant					0	957,737	957,737
Grants/Contributions Not Restricted to Specific Programs					0	220,024	220,024
Unrestricted Investment Earnings					0	180,668	180,668
Restricted Foundation Endowment					0	23,282	23,282
Net Increase/(Decrease) in Fair Value of Investments					0	(820,779)	(820,779)
Gain on Sale of Equipment					1,708	0	1,708
Payments to/(from) Affiliates					4,905,094	(4,905,094)	0
Total Revenues					\$8,421,466	(\$1,369,337)	\$7,052,129
Change in Net Assets					\$1,071,750	(\$1,474,409)	(\$402,659)
Net Assets - Beginning					8,002,290	6,689,415	\$14,691,705
Total Net Assets - Ending					\$9,074,040	\$5,215,006	\$14,289,046

The accompanying notes are an integral part of these financial statements.

STATE OF IDAHO
IDAHO PUBLIC TELEVISION
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2009

	General Fund 0001/0150	Miscellaneous Fund 0349	Federal Fund 0348	Total
ASSETS				
Cash and Cash Equivalents	\$0	\$17,609	\$61,394	\$79,003
Accounts and Interest Receivable	0	8,655	0	8,655
Due from State	73,307	0	0	73,307
Due from Other Funds	0	0	5,883	5,883
Inventories and Prepaid Expense	0	27,003	0	27,003
Total Assets	<u>\$73,307</u>	<u>\$53,267</u>	<u>\$67,277</u>	<u>\$193,851</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Payroll and Benefits Payable	\$40,850	\$119,491	\$0	\$160,341
Due to Other Funds	0	5,883	0	5,883
Accounts Payable	32,457	21,033	1,121	54,611
Total Liabilities	<u>\$73,307</u>	<u>\$146,407</u>	<u>\$1,121</u>	<u>\$220,835</u>
Fund Balances				
Reserve for:				
Inventories and Prepaid Expenses	\$0	\$27,003	\$0	\$27,003
Unreserved Reported in:				
Special Revenue	0	(120,143)	66,156	(53,987)
Total Fund Balances	<u>\$0</u>	<u>(\$93,140)</u>	<u>\$66,156</u>	<u>(26,984)</u>
Total Liabilities and Fund Balances	<u>\$73,307</u>	<u>\$53,267</u>	<u>\$67,277</u>	<u>\$193,851</u>

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS**

Total Fund Balances - Governmental Funds	(\$26,984)
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	9,356,732
Some liabilities are not due and payable in the current period and therefore are not reported in the funds.	(255,708)
Net Assets of Governmental Activities	<u><u>\$9,074,040</u></u>

The accompanying notes are an integral part of these financial statements.

STATE OF IDAHO
IDAHO PUBLIC TELEVISION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	General Fund 0001/0150	Miscellaneous Fund 0349	Federal Fund 0348	Total
Revenues				
Federal Grants	\$0	\$0	\$476,875	\$476,875
Book and Video Sales	0	75,782	0	75,782
Other Miscellaneous Revenue	0	79,881	0	79,881
Total Revenues	\$0	\$155,663	\$476,875	\$632,538
Expenditures				
Current:				
Programming/Production	\$210,491	\$2,375,521	\$0	\$2,586,012
Broadcasting	672,117	586,633	10,645	1,269,395
Program Information	0	604,190	1,121	605,311
Fund Raising/Development	0	1,106,583	0	1,106,583
Management/General	876,527	410,695	0	1,287,222
Capital Outlay	1,755,529	165,387	298,324	2,219,240
Total Expenditures	\$3,514,664	\$5,249,009	\$310,090	\$9,073,763
Revenues over (under) Expenditures:	(\$3,514,664)	(\$5,093,346)	\$166,785	(\$8,441,225)
Other Financing Sources (Uses)				
State General Fund Appropriation	\$2,762,242	\$0	\$0	\$2,762,242
State Dedicated Fund Appropriation	752,422	0	0	752,422
Payments from Affiliates	0	4,905,094	0	4,905,094
Total Other Financing Sources	\$3,514,664	\$4,905,094	\$0	\$8,419,758
Net Change in Fund Balances	\$0	(\$188,252)	\$166,785	(\$21,467)
Fund Balances - Beginning	0	95,112	(100,628)	(5,516)
Fund Balances Ending	\$0	(\$93,140)	\$66,157	(\$26,983)

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Net Change in Fund Balances - Total Governmental Funds (21,467)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$2,219,241) exceeded depreciation (\$1,118,795) in the current period. 1,100,446

The net effect of the disposal of capital assets is to decrease net assets. (5,696)

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This requires an adjustment for compensated absences. (1,533)

Change in Net Assets of Governmental Activities 1,071,750

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Idaho Public Television (IdahoPTV) conform to the Corporation for Public Broadcasting, as applicable to public broadcasting stations. IdahoPTV financial statements have been prepared in conformity with United States generally accepted accounting principles (GAAP) as applied to government units. The following is a summary of the more significant policies.

REPORTING ENTITY

IdahoPTV is a State agency. In determining how to define IdahoPTV for financial reporting purposes, management has considered the potential component unit, The Friends of Idaho Public Television, Inc., in accordance with *GASB Statements 14* and *39*. The primary entity is IdahoPTV, which includes a central management staff, three staffed stations (KAID, KISU, KUID), and an interconnection system among the five public television transmitters in Idaho (KAID-DT, KISU-DT, KUID-DT, KIPT-DT, and KCDT-DT).

The component unit is reported in a separate column in the government-wide statements to emphasize that it is legally separate from IdahoPTV; however, IdahoPTV is able to impose its will upon this component unit. The Federal Communications Commission (FCC) allows on-air fund raising conducted for a Friends group but with a significant restriction that all support go to the licensee. The component unit is not included in the fund statements. The fund statements consist of governmental funds.

The Friends of Idaho Public Television, Inc., is exempt from federal income taxes under Section 501(c)(3) of the United States Internal Revenue Code.

IdahoPTV contributes to the multi-employer Public Employee Retirement System of Idaho (PERSI). PERSI is administered by the State of Idaho and IdahoPTV is not the major participant in the plan; therefore, the plan's financial statements are not included in this report.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (Statement of Net Assets and Statement of Activities) report information on all IdahoPTV activities and its discretely presented component unit. Within the government-wide financial statements, all of IdahoPTV's activities are reported as governmental activities. These activities are financed primarily through General Fund appropriations and contributions from the Friends organization.

The Statement of Net Assets presents IdahoPTV's assets and liabilities with the difference reported as net assets. Net assets are reported in three categories:

1. Investments in capital assets are the net of accumulated depreciation reduced by any outstanding debt.
2. Restricted net assets result when constraints are externally imposed by contributors, by law, or by enabling legislation on how the assets can be used.
3. Unrestricted net assets are those not meeting the definition of the two preceding categories. Often, these have resource constraints imposed by management that can be removed or modified.

The Statement of Activities shows the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Program revenues include fees and charges paid by recipients of goods or services offered by the program. Appropriations, contributions, and other items not meeting the definition of program revenues are reported as general revenue.

The fund financial statements are separate statements provided for each of IdahoPTV's funds; each fund is reported in a separate column. IdahoPTV has three major funds as described below:

General Fund

This fund is used to account for financial resources from State appropriations. The General Fund is the primary source used to pay the costs of administration, transmission, personnel, capital outlay, and operations of IdahoPTV.

Miscellaneous Fund

This is IdahoPTV's primary operating fund. It accounts for money received from the Corporation for Public Broadcasting, video sales, and transfers from the Friends of Idaho Television, Inc. organization to the State. These funds are used to pay personnel costs, programming costs, and general operating costs.

Federal Fund

This fund is the major fund used to receive federal grant money and to pay for capital equipment projects. The two major grants are from the U.S. Department of Commerce National Telecommunications Information Agency and Public Telecommunications Facilities Program and the U.S. Department of Agriculture, Rural Utilities Service.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The government-wide financial statements are reported using the economic resource measurement focus and the accrual basis of accounting. All assets and liabilities are presented on the Statement of Net Assets. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental funds are reported using the current financial resource measurement focus and the modified accrual basis of accounting. Under governmental fund accounting, only current assets and current liabilities are generally included on the balance sheet. Revenues are recognized when measurable and available. IdahoPTV considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after the year end. Funds from the sale of services, books, and videos, as well as any interest may be accrued. Expenditures are recorded when the related fund liability is incurred, except for compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in the governmental funds.

ASSETS, LIABILITIES, AND NET ASSETS

Cash and Cash Equivalents

IdahoPTV's primary governmental fund cash and cash equivalents are considered to be cash on hand and are on deposit with the State Treasurer's Office. The cash and cash equivalents identified for the component unit are cash in checking and savings accounts, money market accounts, and petty cash.

Investments

Investments are reported at fair value. Additional disclosure is identified in Note #2.

Accounts/Interest/Contributions Receivable and Receivable Due from State

The majority of receivables are contributions and interest. The receivable from the State is the amount remaining in the General Fund appropriation to pay current outstanding liabilities.

Inventories and Prepaid Expenses

Inventories are valued at cost, primarily using the first-in, first-out method. Both inventories and prepaid expenses are reported under the consumption method.

Restricted Assets

Certain receipts are classified as permanently restricted assets under the Friends of Idaho Public Television Inc., a component unit. This restriction results from donor-imposed restrictions that require the resources to be permanently maintained; however, IdahoPTV may expend all or part of the income or other economic benefits derived from the donated assets.

Capital Assets

Capital assets are reported at cost or, if the assets are donated, at the market value on the date of the donation. Only capital assets valued at \$5,000 or more are capitalized. Depreciation is recorded using the straight-line method. The value of each asset is reduced by equal amounts over its estimated useful life as follows:

	Estimated Useful Life (Years)
Equipment	5-30
Building Improvements	15-40

Maintenance repairs, and minor remodels are charged as operating expenses when incurred. When an asset is disposed of, accumulated depreciation is deducted from the original cost and any gain or loss arising from its disposal is credited or charged to operations.

Additional disclosures related to capital assets are provided in Note #6.

Accounts Payable

Payables in the government-wide financial statements consist primarily of short-term vendor obligations.

Other Liabilities

Other liabilities consist of payroll and benefits payable.

Government-wide financial statements report long-term obligations as liabilities, with the portion payable within 12 months designated separately from the portion payable in more than 12 months. Long-term liabilities include compensated absences payable, which includes vacation and compensatory time earned by employees but not paid.

Deferred Revenue

Deferred revenue is recognized when revenue is received prior to being earned. In the governmental fund statements, deferred revenue is also recognized when revenue is earned but not available.

Net Assets

Net assets include investments in capital assets net of related debt. Restricted assets are assets whose use is restricted by grantors, contributors, laws or regulations. Unrestricted assets are assets that do not fall under the previous two categories.

REVENUES AND EXPENDITURES/EXPENSES

In the government-wide statement of activities, revenues and expenses are segregated by activity (government or component unit) and by function (programming/production, broadcasting, etc.). Additionally, revenues are classified as program or general revenues. Program revenues include charges to customers or applicants for goods, services, or privileges provided and certain grants and contributions. General revenues include General Fund appropriation, general contributions, and general grants. In the government-wide statement of activities, all internal transfers (to/from) are eliminated. These are shown in the fund statements.

In the governmental fund financial statements, revenues are reported by source. These revenues are available to fund any activity accounted for in the fund.

In the governmental fund financial statements, expenditures are reported by function. Capital outlay expenditures were for equipment primarily related to the conversion to digital television. A more in-depth breakout of capital expenditures is shown in Note #6.

Financing Sources (Uses)

The additions to governmental fund balances in the fund financial statements include IdahoPTV's General Fund appropriation and payments from the discretely presented component unit.

Variances in Statements and Notes

Amounts may differ in schedules and notes due to rounding.

NOTE 2. CASH AND INVESTMENTS

Deposits

GASB Statement No. 40 requires certain disclosures regarding policies and practices with respect to investments and the risks associated with them.

IdahoPTV follows policies and procedures of its governing board, the State Board of Education.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, IdahoPTV's deposits may not be returned.

Friends of Idaho Public Television, Inc. has an investment policy for custodial credit risk covering the endowment funds. This policy allows for cash investments in CDs, U.S. Government securities, and money market funds. There is no other investment policy outside of the endowment funds.

As of June 30, 2009, \$1,351,601 of IdahoPTV's bank balance of \$2,277,081 was exposed to uninsured and uncollateralized custodial credit risk. The entire amount of custodial credit risk was in the component unit. Of the \$1,351,601 subject to custodial credit risk, \$14,450 was endowment funds.

Credit Quality Ratings

At June 30, 2009, IdahoPTV had the following credit quality ratings:

	Fair Market Value	Aaa	Aa2	Aa3	A1	A2	A3	Baa1	Baa2	Unrated
Mutual Funds	\$306,071	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$306,071
Corporate Debt Inst.	474,484	0	100,013	24,978	26,071	117,766	112,905	22,658	70,094	0
US Govt. Obligation	521,993	521,851	0	0	0	0	0	0	0	142
Total	<u>\$1,302,548</u>	<u>\$521,851</u>	<u>\$100,013</u>	<u>\$24,978</u>	<u>\$26,071</u>	<u>\$117,766</u>	<u>\$112,905</u>	<u>\$22,658</u>	<u>\$70,094</u>	<u>\$306,213</u>

Concentration of Credit Risk

IdahoPTV has no reportable concentration of credit risk, which represents 5% of its total portfolio.

Interest Rate Risk

The following table represents IdahoPTV's investment maturities at June 30, 2009

Debt Security Investments – Investment Maturities in Years

Investment Type	Fair Value	Less than 1	1-5	6-10	Over 10/ Open Ended
Mutual Funds	\$306,071	\$0	\$0	\$0	\$306,071
Corporate Debt Instruments	474,484	25,595	229,878	197,969	21,042
US Government Obligations	521,993	0	52,420	92,736	376,837
Total Rated Debt Securities	<u>\$1,302,548</u>	<u>\$25,595</u>	<u>\$282,298</u>	<u>\$290,705</u>	<u>\$703,950</u>

Donor Restricted Assets

IdahoPTV holds donor restricted assets consisting of investments with a fair value of \$2,802,295 (as of June 30, 2009) and cash and cash equivalents of \$59,774. Investments are held in the name of the Friends of Idaho Public Television, Inc. The Friends of Idaho Public Television, Inc. Board is an advisory board and authorizes the amount of net appreciation that IdahoPTV can spend. Idaho PTV determines the purpose of the expenditures. The donor restricted assets are reported as restricted permanent trust non-expendable net assets.

NOTE #3. COMPENSATED ABSENCES

State of Idaho employee benefits include vacation and sick leave allowances. Overtime may be earned under provisions of the Fair Labor Standards Act and Idaho law. Overtime is commonly referred to as "compensatory time" or "comp time" since employees may take time off for the accrued overtime. For purposes of earning and accruing overtime, there are three general classes of employees:

1. Those earning overtime at 1.5 times regular pay rates and who may be paid for the overtime or take time off.
2. Those earning overtime at their regular pay rate and who may only take time off.
3. Those ineligible for overtime.

Upon termination, the following accrued leave balances are paid:

1. Vacation leave
2. Overtime for those eligible for payment

Shown below is the total value of leave that has been accrued by IdahoPTV employees as of June 30, 2009. These amounts are accrued in the government-wide financial statements when the benefits are incurred. A liability for the amount is reported in the governmental funds only if it has matured, for example, as a result of employee resignation or retirement.

	Hours Accrued	Due in 1 Year	Due in More than 1 Year	Total Value
Vacation	10,282	\$231,570	\$2,764	\$234,334
Compensatory Time	<u>928</u>	<u>21,122</u>	<u>252</u>	<u>21,374</u>
Total	<u>11,210</u>	<u>\$252,692</u>	<u>\$3,016</u>	<u>\$255,708</u>

Changes in compensated absences:

	<u>Hours</u>	<u>Amount</u>
Beginning Balance	11,371	\$254,175
Increases	11,076	248,591
Decreases	<u>(11,237)</u>	<u>(247,058)</u>
Total	<u>11,210</u>	<u>\$255,708</u>

NOTE 4. PENSION PLAN

The Public Employee Retirement System of Idaho (PERSI), a cost-sharing multiple-employer public retirement system, was created by the Idaho State Legislature. It is a defined benefit plan requiring that both the member and the employer contribute. Designed as a mandatory system for eligible State and school district employees, the legislation provided for political subdivisions to participate by contractual agreement. Financial reports for the plan are available from PERSI.

After five years of credited service, members become fully vested in retirement benefits earned to date. Members are eligible for retirement benefits when they reach the age specified by their employment classification. For each year of credited service, the annual service retirement allowance is 2.0% or 2.3% (depending on employee classification) of the average monthly salary for the highest consecutive 42 months.

For the year ended June 30, 2009, the required contribution rates were 10.39% (employer) and 6.23% (employee). IdahoPTV's contributions required and paid were \$222,783, \$251,785, and \$261,031 for the three years ended June 30, 2007, 2008, and 2009, respectively.

The PERSI Choice Plan is the State's defined contribution retirement plan. Statutes governing the PERSI Choice Plan are found in Idaho Code, Title 59, Chapter 13. Participants direct their own investment mix without restriction and may elect to change their deferral every pay period.

NOTE 5. COMMUNITY SERVICE GRANTS

The Corporation for Public Broadcasting (CPB) is a private, nonprofit, grant-making organization responsible for funding more than 1,000 television and radio stations. CPB distributes annual Community Service Grants (CSG's) to qualifying public telecommunications entities. CSG's are used to augment the financial resources of public broadcasting stations, thereby enhancing the quality of programming and expanding the scope of public broadcasting services. Each CSG may be expended during one or two federal fiscal years as described in the *Communications Act, 47 United States Code Annotated Section 396(k)(7), (1983) Supplement*. Each grant must be expended within two years of the initial grant authorization. These grants are not considered federal grants.

According to the Communications Act, funds may be used at the recipient's discretion. Public broadcasters use these funds primarily to transmit, produce, and acquire programming for the purposes of public broadcasting. The grants also may be used to sustain activities that were started with CSG's awarded in prior years.

The grants are reported on the accompanying financial statements as unrestricted operating funds. However, to maintain eligibility and to comply with requirements, certain guidelines must be satisfied when applying for and using the grants. These guidelines pertain to the use of grant funds, record keeping, audits, financial reporting, and licensee status with the FCC.

The CSG's received and expended during the most recent fiscal years were:

Grant Period	Grant Amount	Disbursed		Balance
		FY 2008	FY 2009	
10/1/06-9/30/08	\$959,361	\$844,500	\$40,173	\$0
10/1/07-9/30/09	935,183	104,700	830,483	0
10/1/08-9/30/10	957,737	0	128,144	829,593

NOTE 6. CHANGES IN PROPERTY AND EQUIPMENT

Capital assets, which include property and equipment, are reported at cost when purchased or constructed. If acquired by gift, they are recognized at the estimated fair market value at the date of the gift. Expenses for repairs or maintenance are charged to operating expenses as incurred.

A summary of recorded changes in property and equipment follows:

	Book Value at 6/30/08	Additions	Deletions	FY 09 Depreciation	Book Value at 6/30/09
Studio	\$2,186,803	\$1,198,411	\$0	(\$306,194)	\$3,079,020
Transmission	5,419,426	825,916	0	(724,486)	5,520,856
Vehicles	116,198	53,089	0	(41,333)	127,954
Furniture/Fixtures	130,947	0	0	(20,993)	109,954
Building Improvements	<u>408,609</u>	<u>141,824</u>	<u>(5,697)</u>	<u>(25,788)</u>	<u>518,948</u>
Total	<u>\$8,261,983</u>	<u>\$2,219,240</u>	<u>(\$5,697)</u>	<u>(\$1,118,794)</u>	<u>\$9,356,732</u>

Function	Fiscal Year 2009 Depreciation
Programming/Production	\$90,053
Broadcasting Program Information	1,004,720
Fund Raising/Development	1,138
Management/General	<u>22,883</u>
Total	<u>\$1,118,794</u>

The federal interest period is the period of time during which the federal government retains a reversionary interest in all facilities constructed with federal grant funds. This period begins with the purchase of the facilities and continues for ten (10) years after the official completion date of the project. Although *OMB Circular A-110*, sections 33 and 34 (58 FR 62992, Nov. 29, 1993) and 15 CFR §§24.31 and 24.32, specify that the federal government maintains a reversionary interest in the facilities for as long as the facilities are needed for the originally authorized purpose, Public Telecommunications Facilities Program's authorizing statute (47 U.S.C. 392(g)) limits the reversionary period to ten years for purposes of this program. However, federal constitutional

limitations on the use of the facilities survive for the useful life of the facilities, whether or not this period extends beyond the ten-year federal interest period.

Idaho Public Television has federal reversionary interest on certain assets related to corresponding federal grants. Total book value of fixed assets at 6/30/09 is \$ 9,356,732; total reversionary interest on federal awards is \$ 4,024,772, or 43.0% of the total book value of fixed assets.

NOTE 7. LEASES

IdahoPTV is committed to the following ongoing operating leases:

- Orchard Partners for the main office in Boise and the media room; total lease expense for fiscal year 2009 was \$363,673.
- Thomas V. Faerber for the McCan property site; total lease expense for fiscal year 2009 was \$2,500.
- McCann Land Co., total for Tower Site Lease fiscal year 2009 was \$500.
- King Broadcasting for the Deer Point Tower site; total lease expense for fiscal year 2009 was \$10,400.
- Riverview Industrial Park Chinden for storage space; total lease expense for fiscal year 2009 was \$8,640.
- GAP Broadcasting for Howard Mountain Site Lease, total lease expense fiscal year 2009 was \$3,273.
- Idaho Power for pole leases; the lease expense for fiscal year 2009 was \$4,027.
- Citizens Telecommunications Co. for No Business Mountain site lease, total for fiscal year 2009 was \$7,895.
- Dollar Rent-A-Car for van lease, total expenses for fiscal year 2009 was \$3,973.
- Frandsen/Sand Hill Media for Menan Butte Site lease, total lease expense for fiscal year 2009 was \$4,200.
- Xerox Corporation for copier lease – total expenses for fiscal year 2009 was \$2,567.
- Thomas V. Faerber for the Lewiston Hill Microwave Site; total lease expense for fiscal year 2009 was \$1,500.
- Idaho Department of Lands lease expense for fiscal year 2009, was \$3,943.
- State of Idaho Military Division, for mountain top radios and sites for fiscal year 2009 was \$13,200.

Future minimum lease payments are summarized below:

<u>Lease</u>	<u>Amount</u>
Year 2010	\$392,908
Year 2011	399,746
Year 2012	396,219
Year 2013	398,010
Year 2014	6,943
Years 2015-2019	22,715
Years 2020-2024	19,715
Years 2025-2029	11,829
Total Payments	<u>\$1,648,085</u>

NOTE 8. IN-KIND CONTRIBUTIONS

In-kind contributions used for fund-raising are not eligible for matching funds in the Annual Financial Report completed for the CPB's Community Service Grant. In-kind donations that are eligible are included in this report for the benefit of the CPB and the reader of this report. In-kind contributions consist of services from donors toward production and broadcasting activities, as well as other types of support. The values of the contributions are shown below and are only reported in this section, not the financial statements.

In-kind donations classified under broadcasting/production include donated space in the Capitol Annex and other donated equipment and services. Donations classified as communication and administration include donated services, donated space, and statewide allocated costs. Development in-kind values consist of vendor trade-outs not directly associated with fundraising. Following are valuations of donated contributions in fiscal year 2009.

In-Kind Contributions

Broadcasting/Production	\$97,937
Development	90,668
Communications	58,678
Administration	<u>138,504</u>
Total	<u>\$385,787</u>

NOTE 9. FEDERAL GRANTS

During fiscal year 2009 IdahoPTV received federal grants from the U.S. Department of Commerce and the U.S. Department of Agriculture.

The grants from the U.S. Department of Commerce were for the National Telecommunications and Information Administration/Public Telecommunications Facilities Program (NTIA/PTFP) (CFDA 11.550) grants for fiscal year 2009. The funds were used to purchase and upgrade statewide digital translators and microwave sites.

The grant from the U.S. Department of Agriculture was the Rural Utilities Service (RUS) (CFDA 10.861). The funds used to continue upgrading existing translator sites to digital.

The activity during the fiscal year for these grants is summarized below:

Grant	Award Amount	FY 2009 Received	FY 2009 Disbursed
NTIA/PTFP – FFY 07	\$449,430	\$273,792	\$212,246
NTIA/PTFP – FFY 08	143,349	139,286	67,138
RUS – FFY 07	308,512	87,072	29,609

During fiscal year 2009, IdahoPTV also received \$35,168 from the FCC for reimbursement of digital conversion costs. The funds were initially deposited in Federal Fund 0348, but later transferred to the Miscellaneous Fund 0349 on July 20, 2009, after confirming the agreement was a contract not a federal grant.

On December 1, 2008, IdahoPTV wrote a check for \$980 to the U.S. Department of Commerce for a reimbursement of funds drawn in error in the previous fiscal year. This transaction was classified as negative revenue on the financial statements.

The Single Audit requirement will be accomplished by completion of the statewide *2009 Single Audit Report*.

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF IDAHO
IDAHO PUBLIC TELEVISION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND AND MAJOR SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2009

GENERAL FUND BUDGET AND ACTUAL

	Budgeted Amounts		Actual	Variance w/ Final Budget
	<u>Original</u>	<u>Final</u>	Amounts	Positive/(Negative)
EXPENDITURES				
Personnel	\$1,002,200	\$995,300	\$995,300	\$0
Operating	831,500	721,600	721,600	0
Capital	3,210,246	3,044,346	1,800,161	1,244,185
Total Expenditures	<u>\$5,043,946</u>	<u>\$4,761,246</u>	<u>\$3,517,061</u>	<u>\$1,244,185</u>
Reconciliation to GAAP basis expenditures:				
Increase in Payroll Payable			\$7,069	
Decrease in Accounts Payable			(9,466)	
Total GAAP Expenditures			<u>\$3,514,664</u>	

MAJOR MISCELLANEOUS FUND BUDGET AND ACTUAL

	Budgeted Amounts		Actual	Variance w/ Final Budget
	<u>Original</u>	<u>Final</u>	Amounts	Positive(Negative)
EXPENDITURES				
Personnel	\$998,400	\$3,326,983	\$2,773,632	\$553,351
Operating	10,000	2,492,980	2,258,052	234,928
Capital	0	489,532	208,546	280,986
Total Expenditures	<u>1,008,400</u>	<u>\$6,309,495</u>	<u>\$5,240,230</u>	<u>\$1,069,265</u>
Reconciliation to GAAP basis expenditures:				
Reimbursements Pending			\$3,881	
Increase in Payroll Payable			13,775	
Decrease in Accounts Payable			(2,735)	
Ancillary Inventory Adjustment			(6,390)	
Change in Prepaid Expenses			248	
Total GAAP Expenditures			<u>\$5,249,009</u>	

MAJOR FEDERAL FUND BUDGET AND ACTUAL

	Budgeted Amounts		Actual	Variance w/ Final Budget
	<u>Original</u>	<u>Final</u>	Amounts	Positive(Negative)
EXPENDITURES				
Personnel	\$0	\$0	\$0	\$0
Operating	0	0	0	0
Capital	0	770,690	308,993	461,697
Total Expenditures	<u>\$0</u>	<u>\$770,690</u>	<u>\$308,993</u>	<u>\$461,697</u>
Reconciliation to GAAP basis expenditures:				
Increase in Accounts Payable			\$1,097	
Total GAAP Expenditures			<u>\$310,090</u>	

The accompanying notes are an integral part of these financial schedules.

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

BUDGETARY BASIS OF ACCOUNTING

IdahoPTV's legal budget is prepared using cash basis records. Encumbrances are allowed for budgetary control purposes. Revenues are generally recognized when cash is received, and expenditures are recorded when the related cash disbursement occurs. The Budgetary Comparison Schedule is prepared on the budgetary basis and includes this variation from GAAP. The reconciliations at the bottom of each section of the budget and actual statement shows the difference between the budgetary basis and GAAP.

Additional budgeted funds are non-cognizable funds that IdahoPTV transfers to the State from its Friends' account.

SUPPLEMENTARY INFORMATION INCLUDED FOR COMPARISON PURPOSES

Fiscal year 2008 statements are included for comparative purposes, as required by the Corporation for Public Broadcasting.

STATE OF IDAHO
IDAHO PUBLIC TELEVISION
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2008

	Total Primary Governmental Activities	Component Unit Friends of IdahoPTV	Total
Assets			
Current:			
Cash and Cash Equivalents	\$31,145	\$2,749,402	\$2,780,547
Investments	0	1,101,491	1,101,491
Due from State	75,704	0	75,704
Accounts and Interest Receivable	72,210	7,594	79,804
Contributions Receivable	0	281,081	281,081
Inventories and Prepaid Expense	20,861	0	20,861
Restricted Assets:			
Cash and Cash Equivalents	0	24,250	24,250
Investments	0	2,811,302	2,811,302
Contributions Receivable - Restricted	0	14,295	14,295
Capital Assets, Net of Accumulated Depreciation			
Buildings	408,609	0	408,609
Equipment	\$7,853,374	\$0	\$7,853,374
Total Assets	<u>\$8,461,903</u>	<u>\$6,989,415</u>	<u>\$15,451,318</u>
Liabilities			
Payroll and Benefits Payable	\$139,497	\$0	\$139,497
Accounts Payable	65,939	0	65,939
Deferred Revenue	0	300,000	300,000
Current Portion of Compensated Absences	117,924	0	117,924
Non-Current:			
Non-Current Portion of Compensated Absences	136,251	0	136,251
Total Liabilities	<u>\$459,611</u>	<u>\$300,000</u>	<u>\$759,611</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	\$8,261,983	\$0	\$8,261,983
Restricted Permanent Trust - Non-Expendable	0	2,849,847	2,849,847
Unrestricted	(259,691)	3,839,568	3,579,877
Total Net Assets	<u>\$8,002,292</u>	<u>\$6,689,415</u>	<u>\$14,691,707</u>

These statements are an integral part of these financial statements.

STATE OF IDAHO
IDAHO PUBLIC TELEVISION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Friends of IdahoPTV	Total
Primary Government:							
Governmental Activities							
Programming/Production	\$2,682,072	\$7,000	\$42,262	\$0	(\$2,632,810)		(\$2,632,810)
Broadcasting	2,205,361	44,477	6,706	200,031	(1,954,147)		(1,954,147)
Program Information	485,761	0	0	0	(485,761)		(485,761)
Fund Raising/Development	1,008,968	121,060	4,553	0	(883,355)		(883,355)
Management/General	1,366,535	3,088	1,412	0	(1,362,035)		(1,362,035)
Total Primary Government	\$7,748,697	\$175,625	\$54,933	\$200,031	(\$7,318,108)		(\$7,318,108)
Component Unit:							
Programming/Production	14,387	0	0	0		(14,387)	(14,387)
Broadcasting	0	0	0	0		0	0
Program Information	0	0	0	0		0	0
Fund Raising/Development	72,577	0	0	0		(72,577)	(72,577)
Management/General	62,035	0	0	0		(62,035)	(62,035)
Total Component Unit	\$148,999	\$0	\$0	\$0		(\$148,999)	(\$148,999)
General Revenues:							
State Appropriation					3,202,898	0	3,202,898
Contributions					0	2,223,453	2,223,453
Corporate Match					0	87,475	87,475
Underwriting					0	892,242	892,242
CSG Grant					0	935,183	935,183
Grants/Contributions Not Restricted to Specific Programs					0	292,914	292,914
Unrestricted Investment Earnings					0	230,196	230,196
Restricted Foundation Endowment					0	138,968	138,968
Net Increase/(Decrease) in Fair Value of Investments					0	(330,437)	(330,437)
Loss on Salvaged Equipment					(28,083)	0	(28,083)
Payments to/(from) Affiliates					4,685,988	(4,685,988)	0
Total Revenues					\$7,860,803	(\$215,994)	\$7,644,809
Change in Net Assets					\$542,695	(\$364,993)	\$177,702
Net Assets - Beginning					7,459,595	7,054,408	\$14,514,003
Total Net Assets - Ending					\$8,002,290	\$6,689,415	\$14,691,705

The accompanying notes are an integral part of these financial statements.

STATE OF IDAHO
IDAHO PUBLIC TELEVISION
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2008

	General Fund 0001/0150	Miscellaneous Fund 0349	Federal Fund 0348	Total
ASSETS				
Cash and Cash Equivalents	\$0	\$3,939	\$27,206	\$31,145
Accounts and Interest Receivable	0	14,747	57,463	72,210
Due from State	75,704	0	0	75,704
Due from Other Funds	0	185,273	0	185,273
Inventories and Prepaid Expense	0	20,861	0	20,861
Total Assets	<u>\$75,704</u>	<u>\$224,820</u>	<u>\$84,669</u>	<u>\$385,193</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Payroll and Benefits Payable	\$33,781	\$105,716	\$0	\$139,497
Due to Other Funds	0	0	185,273	185,273
Accounts Payable	41,923	23,992	24	65,939
Total Liabilities	<u>\$75,704</u>	<u>\$129,708</u>	<u>\$185,297</u>	<u>\$390,709</u>
Fund Balances				
Reserve for:				
Inventories and Prepaid Expenses	\$0	\$20,861	\$0	\$20,861
Unreserved Reported in:				
General Fund	0	0	0	0
Special Revenue	0	74,251	(100,628)	(26,377)
Total Fund Balances	<u>\$0</u>	<u>\$95,112</u>	<u>(\$100,628)</u>	<u>(\$5,516)</u>
Total Liabilities and Fund Balances	<u>\$75,704</u>	<u>\$224,820</u>	<u>\$84,669</u>	<u>\$385,193</u>

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

Total Fund Balances - Governmental Funds	(\$5,516)
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	8,261,983
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(254,175)</u>
Net Assets of Governmental Activities	<u>\$8,002,292</u>

The accompanying notes are an integral part of these financial statements.

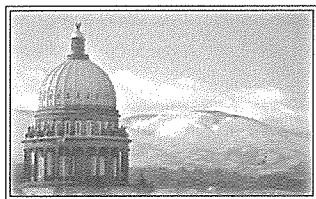
STATE OF IDAHO
IDAHO PUBLIC TELEVISION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	General Fund 0001/0150	Miscellaneous Fund 0349	Federal Fund 0348	Total
Revenues				
Federal Grants	\$0	\$0	\$200,031	\$200,031
Book and Video Sales	0	121,585	0	121,585
Other Miscellaneous Revenue	0	108,973	0	108,973
Total Revenues	\$0	\$230,558	\$200,031	\$430,589
Expenditures				
Current:				
Programming/Production	\$162,106	\$2,385,667	\$17,179	\$2,564,952
Broadcasting	884,659	462,863	62,476	1,409,998
Program Information	0	485,001	0	485,001
Fund Raising/Development	0	1,013,068	0	1,013,068
Management/General	916,349	424,206	0	1,340,555
Capital Outlay	1,239,785	56,616	260,168	1,556,569
Total Expenditures	\$3,202,899	\$4,827,421	\$339,823	\$8,370,143
Revenues over (under) Expenditures:	(\$3,202,899)	(\$4,596,863)	(\$139,792)	(\$7,939,554)
Other Financing Sources (Uses)				
State General Fund Appropriation	2,529,245	0	0	2,529,245
State Dedicated Fund Appropriation	672,012	0	0	672,012
Payments from Affiliates	0	4,685,988	0	4,685,988
Total Other Financing Sources	\$3,201,257	\$4,685,988	\$0	\$7,887,245
Net Change in Fund Balances	(\$1,642)	\$89,125	(\$139,792)	(\$52,309)
Fund Balances - Beginning	1,642	5,987	39,164	46,793
Fund Balances Ending	\$0	\$95,112	(\$100,628)	(\$5,516)

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Net Change in Fund Balances - Total Governmental Funds	(\$52,309)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$1,556,570) exceeded depreciation (\$930,483) in the current period.	626,087
The net effect of the disposal of capital assets is to decrease net assets.	(28,083)
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This requires an adjustment for compensated absences.	(2,997)
Change in Net Assets of Governmental Activities	\$542,698

The accompanying notes are an integral part of these financial statements.



Legislative Services Office Idaho State Legislature

Serving Idaho's Citizen Legislature

Jeff Youtz
Director

November 18, 2009

Independent Auditor's Report on Internal Control
Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial
Statements Performed in Accordance
with Government Auditing Standards

Peter Morrill, General Manager
Idaho Public Television
1455 North Orchard Street
Boise, ID 83720-0037

Paul Agidius, President
Idaho State Board of Education
650 West State Street, Room 307
Boise, ID 83720

Dear Mr. Morrill and Mr. Agidius:

We have audited the financial statements of the governmental activities, major fund, and the remaining fund information of Idaho Public Television (IdahoPTV) as of and for the year ended June 30, 2009, which collectively comprise IdahoPTV's basic financial statements, and have issued our report thereon dated November 18, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered IdahoPTV's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of IdahoPTV's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of IdahoPTV's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such

Mike Nugent, Manager
Research & Legislation

Cathy Holland-Smith, Manager
Budget & Policy Analysis

Don H. Berg, Manager
Legislative Audits

Glenn Harris, Manager
Information Technology

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Boise, Idaho 83720-0054

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that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in Finding 2009-01 in the accompanying Findings and Recommendation section to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

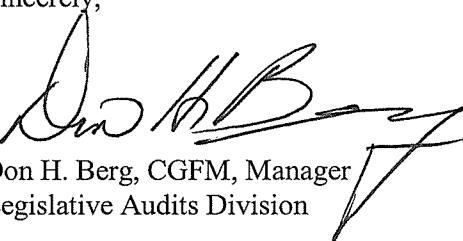
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section, and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we do consider the significant deficiency described in Finding 2009-01 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether IdahoPTV's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the State of Idaho, IdahoPTV, and the State Board of Education, and is not intended to be used by anyone other than these specified parties.

Sincerely,



Don H. Berg, CGFM, Manager
Legislative Audits Division

FINDING AND RECOMMENDATION

FINDING 2009-1

Internal control weaknesses exist in the process for preparing the financial note disclosures.

Financial statement notes are essential to provide a complete and accurate presentation in accordance with generally accepted accounting standards. After the last audit, a review process was put into place that includes reviews of the financial statement notes by several staff at multiple levels. Staff must interpret complex accounting standards and ensure that standards are implemented as required. Although efforts were made to gain an understanding of the accounting standards, a material error in the leases note was not detected during the review process. As a result, an adjustment to the final report was required, and we are required by auditing standards to identify this as a control weakness.

RECOMMENDATION

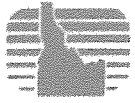
We recommend that IdahoPTV provide additional training and research material to the reviewers in ensuring that financial statement notes are being properly prepared in compliance with accounting standards.

AGENCY'S RESPONSE AND CORRECTIVE ACTION PLAN

Our corrective action plan will be implemented beginning with the FY2010 as follows:

1. Staff will prepare the Leases Payable closing package and the FY2010 financial statements including note disclosures in accordance with accounting standards, listing only executed, non-cancelable leases for the remaining term of the lease.
2. Drafts of the financial statements and note disclosed will be reviewed in detail by the Chief Financial Officer for both accuracy and completeness. The CFO will verify the processes used to determine Idaho Public Television's financial status and test of the financial reports.
3. Reviewers will obtain additional training and research materials to ensure that financial statement notes are being prepared in accordance with auditing standards.

AGENCY RESPONSE



**IDAHO PUBLIC
TELEVISION**
idahoptv.org

November 25, 2009

Making a better world by
inspiring, enriching, and educating
the people we serve.

1455 North Orchard Street Boise ID 83706
FAX: (208) 373-7245 (208) 373-7220

Mr. Gene Sparks, CPA
Managing Auditor
Legislative Auditor's Office
Boise ID 83720
Statehouse Mail

Dear Mr. Sparks:

Below please find our Agency Response to the audit of Idaho Public Television for fiscal year 2009.

The single finding in this year's audit (Finding 2009-1) recognized that internal control weaknesses exist in the process for preparing the financial statements and note disclosures. An error in the financial statement notes was identified and corrected in the course of the audit.

The error was in the Leases Payable note disclosure. Upon guidance from the State Controller's Office (SCO), we historically have been instructed to report the lease liability following the "substance over form" rule to include unsigned and otherwise cancelable leases. Additionally, we projected on-going lease payments consistent with prior reporting. This method of reporting lease liability has been consistently used and audited with no findings or issues.

We were informed by the auditors this year that the lease liability should consist of executed, non-cancelable leases and only for the term remaining.

Our corrective action plan will be implemented beginning with FY2010 as follows:

1. Staff will prepare the Leases Payable closing package and the FY2010 financial statements including note disclosures in accordance with accounting standards, listing only executed, non-cancelable leases for the remaining term of the lease.
2. Drafts of the financial statements and note disclosures will be reviewed in detail by the Chief Financial Officer for both accuracy and completeness. The CFO will verify the processes used to determine Idaho Public Television's financial status and text of the financial reports.
3. Reviewers will obtain additional training and research materials to ensure that financial statement notes are being prepared in accordance with auditing standards.

I am confident the above changes will strengthen our process to ensure compliance and accuracy for future audits.

We appreciate the thoroughness and responsiveness of this year's audit team, Kathleen Watkins and Brinton Croff.

Very truly yours,

Peter W. Morrill
General Manager

APPENDIX

HISTORY

Idaho Public Television (IdahoPTV) was established in Senate Bill 1476, by the Idaho State Board of Education, to provide administrative, operational, and programming expertise to the management and staff of Idaho's public television stations. The stations, located in Boise (KAID and KAID-DT, direct television), Pocatello (KISU and KISU-DT), Moscow (KUID and KUID-DT), Twin Falls (KIPT and KIPT-DT), and Coeur d'Alene (KCDT and KCDT-DT) are dedicated to:

- Providing quality educational and cultural television programs from national sources to the Idaho population at large;
- Providing instructional television services to Idaho public schools;
- Providing ancillary telecommunication services to other State institutions and agencies;
- Providing television programs designed to meet specific needs of Idahoans when these programs are unavailable elsewhere; and
- Serving as training centers for college-level students entering the communications field.

STATUTORY AUTHORITY

IdahoPTV derives its authority from the Idaho State Board of Education, which has delegated responsibility to the general manager to administer, coordinate and supervise Idaho's public television stations. No statutory authority exists for IdahoPTV since it is a State Board of Education established entity.

FUNDING

In fiscal year 2009, IdahoPTV received about 34% of its funding from the Friends organization, about 46% from the State's General Fund, about 12% from the Corporation for Public Broadcasting, and about 8% through federal funding and miscellaneous funding.

ORGANIZATION

IdahoPTV is governed by the State Board of Education, which appoints the general manager to manage day-to-day operations of the system. The general manager is responsible for ensuring adherence to local, State, and federal regulations by all public broadcasting operations in the State of Idaho, for which the Board is the designated licensee by the Federal Communications Commission. The general manager may establish policies and procedures for internal management of IdahoPTV. Such policies and procedures are subject to the Board's review and action.

At June 30, 2009, IdahoPTV had 57 full-time employees (see the organizational chart on the following page).

